

Translation

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Summary of Consolidated Financial Results for the Six Months Ended February 29, 2016 (Based on Japanese GAAP)

April 7, 2016

Company name: SOTSU CO.,LTD.
 Stock exchange listing: Tokyo
 Stock code: 3711 URL <http://www.sotsu-co.jp>
 Representative: President Takehiko Aoki
 Inquiries: Executive Vice President Takashi Izuhara TEL 03-6386-0311
 Scheduled date to file Quarterly Securities Report: April 13, 2016
 Scheduled date to commence dividend payments: May 10, 2016
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended February 29, 2016 (from September 1, 2015 to February 29, 2016)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended February 29, 2016	12,541	0.0	1,822	8.5	1,834	13.0	1,201	19.2
Six months ended February 28, 2015	12,539	5.8	1,679	(25.6)	1,623	(28.7)	1,007	(26.1)

Note: Comprehensive income Six months ended February 29, 2016 ¥1,105 million [15.6 %]
 Six months ended February 28, 2015 ¥956 million [(38.4) %]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended February 29, 2016	81.85		—	
Six months ended February 28, 2015	64.29		—	

* The Company conducted the stock split at a ratio of 1:2 of common shares on December 1, 2014. Earnings per share has been calculated on the basis that the stock split had been effective at the beginning of the year ended August 31, 2015.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 29, 2016	22,650	17,524	76.3	1,177.96
As of August 31, 2015	22,391	16,718	73.7	1,124.50

Reference: Equity As of February 29, 2016 ¥17,285 million
 As of August 31, 2015 ¥16,501 million

* The Company conducted the stock split at a ratio of 1:2 of common shares on December 1, 2014. Net assets per share has been calculated on the basis that the stock split had been effective at the beginning of the year ended August 31, 2015.

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended August 31, 2015	–	15.00	–	20.00	35.00
Year ending August 31, 2016	–	15.00			
Year ending August 31, 2016 (Forecast)			–	20.00	35.00

Note: Revision of cash dividend forecast most recently announced: No

Notes: (1) Details of interim dividends for the six months ended February 28, 2015 ordinary dividends 15 yen
 Details of year-end dividends for the year ended August 31, 2015 ordinary dividends 15 yen special dividends 5 yen
 (2) Details of interim dividends for the six months ended February 29, 2016 ordinary dividends 15 yen
 Details of year-end dividends for the year ending August 31, 2016 ordinary dividends 15 yen special dividends 5 yen

3. Forecast of consolidated financial results for the year ending August 31, 2016 (from September 1, 2015 to August 31, 2016)

	Percentages indicate year-on-year changes								
	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	24,500	2.5	3,500	2.6	3,500	3.2	2,200	5.1	149.92

Note: Revision of consolidated financial results forecast most recently announced: No

4. Notes

- (1) Changes in significant subsidiaries during the six months ended February 29, 2016 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of February 29, 2016	15,000,000 shares	As of August 31, 2015	16,000,000 shares
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Number of treasury shares at the end of the period

As of February 29, 2016	325,698 shares	As of August 31, 2015	1,325,698 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended February 29, 2016	14,674,302 shares	Six months ended February 28, 2015	15,674,302 shares
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* The Company conducted the stock split at a ratio of 1:2 of common shares on December 1, 2014. The above figures have been calculated on the basis that the stock split had been effective at the beginning of the year ended August 31, 2015.

* Indication regarding execution of quarterly review procedures

This quarterly financial results report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the review procedures for quarterly financial statements are in progress.

* Proper use of forecasts of consolidated financial results, and other special matters

The above forecasts of consolidated financial results are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results may differ substantially due to various factors.

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of August 31, 2015	As of February 29, 2016
Assets		
Current assets		
Cash and deposits	15,235,233	14,622,011
Notes and accounts receivable - trade	4,147,801	5,146,339
Securities	200,480	200,140
Merchandise	127	124
Work in process	9,069	34,851
Supplies	7,045	8,621
Deferred tax assets	75,465	69,984
Other	184,392	179,156
Allowance for doubtful accounts	(23,768)	(28,312)
Total current assets	19,835,846	20,232,916
Non-current assets		
Property, plant and equipment		
Buildings, net	48,443	46,457
Vehicles, net	1,441	1,201
Tools, furniture and fixtures, net	14,552	24,445
Land	322,711	322,711
Total property, plant and equipment	387,148	394,815
Intangible assets	29,237	25,326
Investments and other assets		
Investment securities	1,875,277	1,740,153
Deferred tax assets	20,574	20,812
Other	242,924	236,162
Total investments and other assets	2,138,775	1,997,129
Total non-current assets	2,555,162	2,417,270
Total assets	22,391,008	22,650,187

(Thousands of yen)

	As of August 31, 2015	As of February 29, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	4,161,299	3,739,295
Income taxes payable	668,176	671,272
Provision for bonuses	36,180	40,780
Other	318,950	242,900
Total current liabilities	5,184,606	4,694,248
Non-current liabilities		
Deferred tax liabilities	72,365	12,355
Net defined benefit liability	74,538	77,592
Other	341,232	341,232
Total non-current liabilities	488,137	431,180
Total liabilities	5,672,744	5,125,429
Net assets		
Shareholders' equity		
Capital stock	414,750	414,750
Capital surplus	391,240	391,240
Retained earnings	17,403,581	16,651,113
Treasury shares	(2,200,828)	(540,700)
Total shareholders' equity	16,008,743	16,916,402
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	492,576	369,409
Total accumulated other comprehensive income	492,576	369,409
Non-controlling interests	216,944	238,946
Total net assets	16,718,264	17,524,758
Total liabilities and net assets	22,391,008	22,650,187

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended February 28, 2015	Six months ended February 29, 2016
Net sales	12,539,101	12,541,655
Cost of sales	10,359,801	10,228,025
Gross profit	2,179,299	2,313,630
Selling, general and administrative expenses	499,362	491,254
Operating income	1,679,937	1,822,376
Non-operating income		
Interest income	2,811	2,550
Dividend income	7,367	7,106
Subsidy income	–	23,368
Other	3,110	1,318
Total non-operating income	13,289	34,343
Non-operating expenses		
Commission fee	33,589	–
Listing related expenses	4,257	3,325
Loss on investments in partnership	8,315	699
expenditure for research and development	23,530	14,155
Other	–	4,471
Total non-operating expenses	69,693	22,652
Ordinary income	1,623,533	1,834,067
Extraordinary income		
Gain on sales of investment securities	559	–
Total extraordinary income	559	–
Extraordinary losses		
Loss on retirement of non-current assets	118	–
Loss on sales of investment securities	1,708	–
Total extraordinary losses	1,826	–
Income before income taxes and minority interests	1,622,265	1,834,067
Income taxes - current	586,516	600,925
Income taxes - deferred	17,282	4,721
Total income taxes	603,799	605,647
Profit	1,018,466	1,228,420
Profit attributable to non-controlling interests	10,753	27,275
Profit attributable to owners of parent	1,007,712	1,201,145

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended February 28, 2015	Six months ended February 29, 2016
Profit	1,018,466	1,228,420
Other comprehensive income		
Valuation difference on available-for-sale securities	(62,141)	(123,123)
Total other comprehensive income	(62,141)	(123,123)
Comprehensive income	956,324	1,105,297
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	945,533	1,077,978
Comprehensive income attributable to non-controlling interests	10,790	27,318

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended February 28, 2015	Six months ended February 29, 2016
Cash flows from operating activities		
Income before income taxes and minority interests	1,622,265	1,834,067
Depreciation	10,089	9,713
Amortization of goodwill	3,661	–
Increase (decrease) in allowance for doubtful accounts	4,794	4,543
Increase (decrease) in provision for bonuses	1,012	4,600
Increase (decrease) in net defined benefit liability	2,372	3,053
Interest and dividend income	(10,178)	(9,657)
Decrease (increase) in notes and accounts receivable - trade	(1,287,834)	(998,538)
Decrease (increase) in inventories	(42,463)	(27,355)
Increase (decrease) in notes and accounts payable - trade	916,780	(422,003)
Other, net	207,213	(61,994)
Subtotal	1,427,712	336,429
Interest and dividend income received	10,184	9,663
Income taxes paid	(715,235)	(605,915)
Net cash provided by (used in) operating activities	722,661	(259,822)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,302)	(10,538)
Purchase of intangible assets	(4,950)	(2,930)
Purchase of investment securities	(84,200)	(47,150)
Proceeds from sales of investment securities	135,565	–
Other, net	6,005	6,005
Net cash provided by (used in) investing activities	51,118	(54,612)
Cash flows from financing activities		
Cash dividends paid	(235,102)	(293,470)
Dividends paid to non-controlling interests	(5,317)	(5,317)
Net cash provided by (used in) financing activities	(240,419)	(298,787)
Net increase (decrease) in cash and cash equivalents	533,359	(613,222)
Cash and cash equivalents at beginning of period	15,836,072	15,235,233
Cash and cash equivalents at end of period	16,369,431	14,622,011